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Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|---|-----------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Township of McMillan, Michigan | County Alger |
| Fiscal Year End 6/30/06 | Opinion Date 8/11/06 | Date Audit Report Submitted to State 10-3-06 | |

We affirm that:

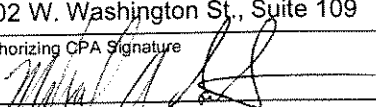
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-----|----|--|
| YES | NO | |
|-----|----|--|
- Check each applicable box below.** (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | | |
|--|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | | <input checked="" type="checkbox"/> | | |
| Other (Describe) | | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC | | | Telephone Number 906-225-11166 | |
| Street Address 102 W. Washington St., Suite 109 | | | City Marquette | State MI |
| | | | Zip 49855 | |
| Authorizing CPA Signature  | | Printed Name Michael Alan Grentz | | License Number 1101027988 |

TOWNSHIP OF MCMILLAN, MICHIGAN

FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of McMillan, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township of McMillan, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of McMillan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of McMillan, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2006 on our consideration of the Township of McMillan, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Supervisor and Members of
the Township Board of Trustees

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 32 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of McMillan, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

August 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of McMillan's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole decreased by \$38,680 as a result of this year's operations. Net assets of our business-type activities decreased by \$11,054, or 8 percent, and net assets of our governmental activities decreased by \$27,626, or 2 percent.
- During the year, the Township had expenses for governmental activities that were \$650,824 and expenses for business type activities that were \$42,948.
- The General Fund reported a net fund balance of \$554,689. Net income was \$220,741 higher than the forecasted decrease of \$217,025.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the certain services it provides. The Wastewater Treatment Fund is reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 19. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of June 30, 2006 and 2005.

Table I
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|-------------------------|-------------|--------------------------|-----------|--------------------------|-------------|
| | 6/30/06 | 6/30/05 | 6/30/06 | 6/30/05 | 6/30/06 | 6/30/05 |
| Current & Other Assets | \$2,224,979 | \$2,237,339 | \$8,335 | \$5,898 | \$2,233,314 | \$2,243,237 |
| Capital Assets, net | 126,091 | 133,023 | 257,733 | 269,680 | 383,824 | 402,703 |
| Total Assets | 2,351,070 | 2,370,362 | 266,068 | 275,578 | 2,617,138 | 2,645,940 |
| Current Liabilities | 1,177,020 | 1,168,686 | 94,291 | 87,677 | 1,271,311 | 1,256,363 |
| Non-current Liabilities | - | - | 47,827 | 52,897 | 47,827 | 52,897 |
| Total Liabilities | 1,177,020 | 1,168,686 | 142,118 | 140,574 | 1,319,138 | 1,309,260 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 126,091 | 133,023 | 204,667 | 211,713 | 330,758 | 344,736 |
| Restricted | - | - | 7,883 | 7,968 | 7,883 | 7,968 |
| Unrestricted (deficit) | 1,047,959 | 1,068,653 | (88,600) | (84,677) | 959,359 | 983,976 |
| Total Net Assets | \$1,174,050 | \$1,201,676 | \$123,950 | \$135,004 | \$1,298,000 | \$1,366,680 |

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Net assets of the Township's governmental activities stood at \$ 1,174,050. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,047,959.

The \$1,047,959 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$123,950. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2
Change in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|-------------|--------------------------|-----------|--------------------------|-------------|
| | 6/30/06 | 6/30/05 | 6/30/06 | 6/30/05 | 6/30/06 | 6/30/05 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$180,106 | \$150,235 | \$31,894 | \$35,916 | \$212,000 | \$186,151 |
| Operating grants and contributions | 3,555 | 3,467 | - | - | 3,555 | 3,467 |
| General Revenues: | | | | | | |
| Property taxes | 306,519 | 297,738 | - | - | 306,519 | 297,738 |
| State sources | 93,050 | 92,433 | - | - | 93,050 | 92,433 |
| Interest and miscellaneous | 39,968 | 39,130 | - | - | 39,968 | 39,130 |
| Total Revenues | 623,198 | 583,003 | 31,894 | 35,916 | 655,092 | 618,919 |
| Program Expenses: | | | | | | |
| Legislative | 45,361 | 32,361 | - | - | 45,361 | 32,361 |
| Elections | 1,201 | 4,935 | - | - | 1,201 | 4,935 |
| General services & Administration | 328,178 | 346,775 | - | - | 328,178 | 346,775 |
| Public safety | 56,254 | 23,414 | - | - | 56,254 | 23,414 |
| Public Works | 16,737 | 3,664 | - | - | 16,737 | 3,664 |
| Community and Economic Development | 203,093 | 164,286 | - | - | 203,093 | 164,286 |
| Recreation and Culture | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Wastewater Treatment | - | - | 42,948 | 43,401 | 42,948 | 43,401 |
| Total Expenses | 650,824 | 575,435 | 42,948 | 43,401 | 693,772 | 618,836 |
| Excess (deficiency) before transfers | (27,626) | 7,568 | (11,054) | (7,485) | (38,680) | 83 |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in net assets | (27,626) | 7,568 | 11,054 | (7,485) | (38,680) | 83 |
| Net assets, beginning, as restated | 1,201,676 | 1,194,108 | 135,004 | 142,489 | 1,336,680 | 1,336,597 |
| Net Assets, Ending | \$1,174,050 | \$1,201,676 | \$123,950 | \$135,004 | \$1,298,000 | \$1,336,680 |

The Township's total revenues were \$655,092. The total cost of all programs and services was \$ 693,772, leaving an decrease in net assets of \$ 38,680. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the Township's governmental activities decreased \$ 27,626 for the year ended June 30, 2006.

The Governmental Funds had a net loss of \$ 27,626 and depreciation expense of \$ 6,932.

Business-type Activities

During the year ended June 30, 2006, the net assets of the Township's business type activities decreased by \$11,054. The reason for this is that we are not charging users for any depreciation charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 12 reported a *combined* fund balance of \$ 1,047,959 an decrease of \$20,694 from the beginning of the year.

Governmental Funds decreased by \$ 20,694. This is primarily due to the UDAG giving out more new loans than loan payments received in the current year of \$24,558. All other activity had net income of \$3,864.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

Amendments resulted in adding \$63,100 increase in overall equity.

With these adjustments, actual charges to expenditures were \$203,773 less than the final amended budget. Conversely, revenues were \$ 16,968 more than the final budget projection.

The change in expenditures of \$65,000 decrease in the Township Board budget was due to an error in the original budget.

The revenue and expenditures differences between final budget and the actual are made up of:

Revenues were \$16,968 greater than budgeted for the following reasons: No budget amounts for the annual maintenance fee from the State of Michigan for \$6,273, interest rates increase giving an additional \$8,821 in interest income and \$1,874 from all other activities.

Expenditures were \$203,773 less than budgeted for the following reasons: Professional Services were over budgeted by \$11,161, the Clerks professional services were \$8,618 under budget due to less expenditures being incurred, Cemetery expenses \$18,773, Fire Department service contract decreased by \$11,893, Roads Projects worth \$27,039 were deferred until next year, \$89,700 of contingency was not used, and \$36,589 immaterial difference from all other activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006 and 2005, the Township had \$383,824 and \$402,703 respectively invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

| Table 3 Capital Assets at Year-End (Net of Depreciation) | | | | |
|---|-----------------------------------|------------------------------------|------------------|------------------|
| | Governmental Activities – 2006 | Business-Type Activities – 2006 | Totals – 2006 | Totals – 2005 |
| Land | \$51,750 | \$ - | \$51,750 | \$51,750 |
| Land improvements | - | - | - | - |
| Buildings and improvements | 68,006 | 257,733 | 325,739 | 71,265 |
| Equipment and furnishings | 6,335 | - | 6,335 | 279,688 |
| | <u>\$126,091</u> | <u>\$257,733</u> | <u>\$383,824</u> | <u>\$402,703</u> |

The Township recorded depreciation expense of \$18,879 for 2006 and \$6,933 for 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At the end of fiscal 2006 and 2005, the Township had outstanding debt of \$53,066 and \$57,967 related to the Sewer System Facility.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending June 30, 2007 basically, the budget is the same for the year ending June 30, 2006.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of McMillan, 405 Newberry Avenue, Newberry, MI 49868.

Township of McMillan, Michigan

STATEMENT OF NET ASSETS

June 30, 2006

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business Type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and investments | \$ 933,287 | \$ 4,176 | \$ 937,463 |
| Receivables (net) | 1,291,692 | 4,159 | 1,295,851 |
| TOTAL CURRENT ASSETS | 2,224,979 | 8,335 | 2,233,314 |
| Non-current assets: | | | |
| Land and construction in progress | 51,750 | - | 51,750 |
| Other capital assets | 188,422 | 565,135 | 753,557 |
| Accumulated depreciation | (114,081) | (307,402) | (421,483) |
| Total Capital Assets | 126,091 | 257,733 | 383,824 |
| TOTAL NON-CURRENT ASSETS | 126,091 | 257,733 | 383,824 |
| TOTAL ASSETS | 2,351,070 | 266,068 | 2,617,138 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | - | 88,391 | 88,391 |
| Accrued liabilities | - | - | - |
| Deferred revenue | 1,177,020 | - | 1,177,020 |
| Current portion of bonds payable | - | 5,239 | 5,239 |
| Other current liabilities | - | 661 | 661 |
| TOTAL CURRENT LIABILITIES | 1,177,020 | 94,291 | 1,271,311 |
| Non-current Liabilities: | | | |
| Compensated absences | - | - | - |
| Bonds payable | - | 47,827 | 47,827 |
| TOTAL NON-CURRENT LIABILITIES | - | 47,827 | 47,827 |
| TOTAL LIABILITIES | 1,177,020 | 142,118 | 1,319,138 |
| NET ASSETS | | | |
| Invested in capital assets net of related debt | 126,091 | 204,667 | 330,758 |
| Restricted for: | | | |
| Debt Service | - | 7,883 | 7,883 |
| Unrestricted | 1,047,959 | (88,600) | 959,359 |
| TOTAL NET ASSETS | \$ 1,174,050 | \$ 123,950 | \$ 1,298,000 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2006

| Function / Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Primary Government | | |
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Legislative | \$ 45,361 | \$ - | \$ - | \$ - | \$ (45,361) | \$ - | \$ (45,361) |
| Elections | 1,201 | - | - | - | (1,201) | - | (1,201) |
| General services and administration | 328,178 | - | - | - | (316,892) | - | (316,892) |
| Public safety | 56,254 | 11,286 | - | - | (52,699) | - | (52,699) |
| Public works | 16,737 | - | 3,555 | - | (16,737) | - | (16,737) |
| Community and economic development | 203,093 | 168,820 | - | - | (34,273) | - | (34,273) |
| Recreation and culture | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Total Governmental Activities | 650,824 | 180,106 | 3,555 | - | (467,163) | - | (467,163) |
| Business Type Activities: | | | | | | | |
| Wastewater treatment | 42,948 | 31,894 | - | - | - | (11,054) | (11,054) |
| Total Business Type Activities | 42,948 | 31,894 | - | - | - | (11,054) | (11,054) |
| TOTAL PRIMARY GOVERNMENT | \$ 693,772 | \$ 212,000 | \$ 3,555 | \$ - | (467,163) | (11,054) | (478,217) |
| | | | | | | | |
| General Revenues: | | | | | | | |
| Taxes | | | | | 306,519 | - | 306,519 |
| Unrestricted State sources | | | | | 93,050 | - | 93,050 |
| Interest and investment earnings | | | | | 37,906 | - | 37,906 |
| Miscellaneous | | | | | 2,062 | - | 2,062 |
| Transfers | | | | | - | - | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 439,537 | - | 439,537 |
| | | | | | | | |
| CHANGE IN NET ASSETS | | | | | (27,626) | (11,054) | (38,680) |
| Net assets, beginning of year | | | | | 1,201,676 | 135,004 | 1,336,680 |
| NET ASSETS, END OF YEAR | | | | | \$ 1,174,050 | \$ 123,950 | \$ 1,298,000 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2006

| | General Fund | UDAG Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------|---|---|
| ASSETS | | | | |
| Cash and equivalents | \$ 440,017 | \$ 487,824 | \$ 5,446 | \$ 933,287 |
| Receivables | 28,522 | 1,177,020 | - | 1,205,542 |
| Due from other funds | 86,150 | - | - | 86,150 |
| TOTAL ASSETS | \$ 554,689 | \$ 1,664,844 | \$ 5,446 | \$ 2,224,979 |
| LIABILITIES AND FUND BALANCE | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll and related | - | - | - | - |
| Deferred revenue | - | 1,177,020 | - | 1,177,020 |
| TOTAL LIABILITIES | - | 1,177,020 | - | 1,177,020 |
| FUND BALANCE: | | | | |
| Reserved for: | | | | |
| Cemetery Trust Fund | - | - | 5,446 | 5,446 |
| Unreserved, reported in: | | | | |
| General Fund | 554,689 | - | - | 554,689 |
| Liquor Law Fund | - | - | - | - |
| UDAG Fund | - | 487,824 | - | 487,824 |
| TOTAL FUND BALANCE | 554,689 | 487,824 | 5,446 | 1,047,959 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 554,689 | \$ 1,664,844 | \$ 5,446 | \$ 2,224,979 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2006

Total Fund Balances for Governmental Funds **\$ 1,047,959**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

| | | |
|------------------------------------|------------------|---------|
| Cost of Capital Assets | 240,172 | |
| Accumulated Depreciation of Assets | <u>(114,081)</u> | 126,091 |

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

| | |
|----------------------------------|----------|
| Current portion of bonds payable | \$ - |
| Compensated absences | - |
| Bonds payable | <u>-</u> |

| | |
|--|----------------------------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 1,174,050</u> |
|--|----------------------------|

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2006

| | General Fund | UDAG Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------|---|---|
| REVENUES: | | | | |
| Taxes | \$ 306,519 | \$ - | \$ - | \$ 306,519 |
| Licenses and permits | - | - | - | - |
| State sources | 93,050 | - | 3,555 | 96,605 |
| Charges for services | 11,286 | - | - | 11,286 |
| Interest | 27,951 | 97,706 | 240 | 125,897 |
| Other | 2,062 | 80,829 | - | 82,891 |
| TOTAL REVENUES | 440,868 | 178,535 | 3,795 | 623,198 |
| EXPENDITURES: | | | | |
| Current operations: | | | | |
| Legislative | 45,361 | - | - | 45,361 |
| Elections | 1,201 | - | - | 1,201 |
| General services and administration | 321,246 | - | - | 321,246 |
| Public safety | 52,607 | - | 3,647 | 56,254 |
| Public works | 16,737 | - | - | 16,737 |
| Community and economic development | - | 203,093 | - | 203,093 |
| Recreation and culture | - | - | - | - |
| Other | - | - | - | - |
| Capital outlay | - | - | - | - |
| TOTAL EXPENDITURES | 437,152 | 203,093 | 3,647 | 643,892 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 3,716 | (24,558) | 148 | (20,694) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| CHANGE IN FUND BALANCE | 3,716 | (24,558) | 148 | (20,694) |
| Fund balance, beginning of year | 550,973 | 512,382 | 5,298 | 1,068,653 |
| FUND BALANCE, END OF YEAR | \$ 554,689 | \$ 487,824 | \$ 5,446 | \$ 1,047,959 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ (20,694)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|----------------|---------|
| Capital outlays | \$ - | |
| Depreciation expense | <u>(6,932)</u> | (6,932) |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

-
-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (27,626)**

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2006

| | Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund |
|--|--|
| ASSETS: | |
| Current Assets: | |
| Cash and equivalents | \$ 4,176 |
| Accounts receivable, net | 4,159 |
| TOTAL CURRENT ASSETS | 8,335 |
| Non-current Assets: | |
| Capital assets | 565,135 |
| Accumulated depreciation | (307,402) |
| TOTAL NON-CURRENT ASSETS | 257,733 |
| TOTAL ASSETS | 266,068 |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts payable | 2,241 |
| Due to other funds | 86,150 |
| Accrued interest payable | 661 |
| Current portion of long-term debt | 5,239 |
| TOTAL CURRENT LIABILITIES | 94,291 |
| Non-current Liabilities: | |
| Bond payable | 47,827 |
| TOTAL NON-CURRENT LIABILITIES | 47,827 |
| TOTAL LIABILITIES | 142,118 |
| NET ASSETS: | |
| Invested in capital assets net of related debt | 204,667 |
| Restricted - debt service | 7,883 |
| Unrestricted | (88,600) |
| TOTAL NET ASSETS | \$ 123,950 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2006

| | Business - Type Activities Enterprise Funds Wastewater Treatment Operating Fund |
|--|--|
| OPERATING REVENUES: | |
| Charges for services (net) | \$ 31,894 |
| Other operating revenue | - |
| TOTAL OPERATING REVENUES | 31,894 |
| OPERATING EXPENSES: | |
| Operating expenses | 27,921 |
| Depreciation | 11,947 |
| TOTAL OPERATING EXPENSES | 39,868 |
| OPERATING INCOME (LOSS) | (7,974) |
| NON-OPERATING REVENUES (EXPENSES): | |
| Investment income | - |
| Interest expense | (3,080) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (3,080) |
| CHANGE IN NET ASSETS | (11,054) |
| Net assets, beginning of year | 135,004 |
| NET ASSETS, END OF YEAR | \$ 123,950 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2006

| | Business -Type Activities Enterprise Funds Wastewater Treatment Operating Fund |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from fees and charges for services | \$ 31,305 |
| Other operating revenues | - |
| Cash payments to employees for services | - |
| Cash payments to suppliers for goods and services | (21,476) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 9,829 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Cash payments for capital assets | - |
| Interest payments on bonds | (3,080) |
| Principal payments on bonds | (4,901) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (7,981) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest income | - |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,848 |
| Cash and cash equivalents, beginning of year | 2,328 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 4,176 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (7,974) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 11,947 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (589) |
| Increase (decrease) in accounts payable | (10) |
| Increase (decrease) in due from funds | 6,519 |
| Increase (decrease) in accrued interest | (64) |
| NET ADJUSTMENTS | 17,803 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 9,829 |

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

| | <u>Agency Funds</u> |
|--------------------------|-------------------------|
| ASSETS: | |
| Cash and equivalents | \$ <u>7</u> |
| TOTAL ASSETS | \$ <u>7</u> |
| LIABILITIES: | |
| Due to other funds | \$ - |
| Due to others | <u>7</u> |
| TOTAL LIABILITIES | \$ <u>7</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MCMILLAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Liquor Law Fund*** – Liquor Law Fund is used in cities, villages and townships which do not have a full time police or enforcement department to account for the distribution of State liquor law enforcement money to the local unit of government for enforcing the liquor control act.
- ***UDAG Fund*** – UDAG Fund is used in counties, cities, villages and townships. The local unit may establish an authority under the Economic Development Corporation Act to administer the activities authorized under the Act. The corporation shall be administered by a board of directors appointed pursuant to the requirements of the Act. The fund is used to account for the administration and management of EDC loans to the community.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Wastewater Fund*** – Wastewater Fund is used to record the revenues and expenses for the operation of a sewer system. Capital Assets are recorded within the fund and depreciation is charged.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

- ***Cemetery Trust Fund*** – Cemetery Trust Fund is used to account for money held by the local unit in trust for the perpetual care of cemetery lots. This fund has both an expendable and non-expendable fund balance. The non-expendable fund balance contains the amounts placed with the local unit in trust to be invested. The income earned on the investments would be closed to the expendable fund balance and may be only used for the perpetual care of the cemetery lots.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **UDAG** accounts for the Township's Economic Development Corporation activities.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Receivables – All trade and property tax receivables/payable are shown as net of allowance for uncollectible amounts.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|---------------------------------------|-------------|
| Land improvements | 15 years |
| Building, structures and improvements | 40 years |
| Equipment | 5 years |
| Water and Sewage System | 20-50 years |
| Vehicles | 5 years |
| Infrastructure | 20-50 years |

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets:

| | Primary Government | Fiduciary Funds | Total |
|---------------------------|-----------------------|--------------------|------------------|
| Unrestricted: | | | |
| Cash and cash equivalents | \$937,463 | \$7 | \$937,470 |
| Investments | - | - | - |
| Restricted: | | | |
| Cash and cash equivalents | - | - | - |
| Investments | - | - | - |
| TOTALS | <u>\$937,463</u> | <u>\$7</u> | <u>\$937,470</u> |

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the Township's deposits with financial institutions were \$937,470 and the bank balance was \$966,073. The bank balance is categorized as follows:

| | |
|---------------------------------------|-------------------|
| Amount insured by the FDIC | \$ 244,514 |
| Amount uncollateralized and uninsured | 721,559 |
| | <u>\$ 966,073</u> |

Investments

As of June 30, 2006, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. Ratings are not required for the Township's investment in U.S. Government Agencies or equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – INTERFUND BALANCES:

The Township of McMillan, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single row. The total of all balances agrees with the sum of interfund balances presented in the statements of balance sheet for governmental funds, proprietary funds and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Receivable</u> | <u>Fund</u> | <u>Payable</u> |
|---------------------|-------------------|----------------------|------------------|
| PRIMARY GOVERNMENT: | | | |
| General | <u>\$ 86,150</u> | Wastewater Treatment | <u>\$ 86,150</u> |

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

| | <u>Balance at July 1, 2005</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance at June 30, 2006</u> |
|---|------------------------------------|-------------------|------------------|-------------------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Land | <u>\$ 51,750</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 51,750</u> |
| Total Capital Assets, not being depreciated | <u>51,750</u> | <u>-</u> | <u>-</u> | <u>51,750</u> |
| Buildings and improvements | <u>155,873</u> | <u>-</u> | <u>-</u> | <u>155,873</u> |
| Furniture and equipment | <u>32,549</u> | <u>-</u> | <u>-</u> | <u>32,549</u> |
| Total Capital Assets, being depreciated | <u>188,422</u> | <u>-</u> | <u>-</u> | <u>188,422</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | <u>(84,608)</u> | <u>(3,259)</u> | <u>-</u> | <u>(87,867)</u> |
| Furniture and equipment | <u>(22,541)</u> | <u>(3,673)</u> | <u>-</u> | <u>(26,214)</u> |
| Total Accumulated Depreciation | <u>(107,149)</u> | <u>-</u> | <u>-</u> | <u>(114,081)</u> |
| Governmental Activities Capital Assets, Net | <u>\$133,023</u> | <u>\$ (6,932)</u> | <u>\$ -</u> | <u>\$ 126,091</u> |

NOTE D – CAPITAL ASSETS (Continued):

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

| | |
|----------------------------|-----------------|
| General and Administrative | \$ 6,932 |
| Public Safety | - |
| Recreation and Culture | - |
| Total | <u>\$ 6,932</u> |

A summary of changes in business-type activities capital assets is as follows:

| | Balance at July 1, 2005 | Additions | Disposals | Balance at June 30, 2006 |
|--|----------------------------|--------------------|------------|-----------------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Land | \$- | \$- | \$- | \$- |
| Investment in Treatment Facility | - | - | - | - |
| Total Capital Assets, not being depreciated | - | - | - | - |
| Buildings and improvements | - | - | - | - |
| Equipment | 565,135 | - | - | 565,135 |
| Total Capital Assets, being depreciated | 565,135 | - | - | 565,135 |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | - | - | - | - |
| Equipment | (295,455) | (11,947) | - | (307,402) |
| Total Accumulated Depreciation | (295,455) | (11,947) | - | (307,402) |
| | <u>\$ 269,680</u> | <u>\$ (11,947)</u> | <u>\$-</u> | <u>\$ 257,733</u> |

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

| | |
|---|------------------|
| Business-Type Activities: | |
| Wastewater Treatment Facility | \$ 11,947 |
| Total Depreciation Expense – Business-Type Activities | <u>\$ 11,947</u> |

NOTE E – LONG-TERM DEBT:

SCHEDULE OF LUCE COUNTY DISPOSAL SYSTEM NO. 1 BOND
June 30, 2006

| | September 1 Interest | Principal | Interest | Total |
|--------|-------------------------|------------------|-----------------|------------------|
| 2007 | \$1,322 | \$5,239 | \$1,322 | \$7,883 |
| 2008 | 1,191 | 5,239 | 1,191 | 7,621 |
| 2009 | 1,060 | 5,239 | 1,060 | 7,359 |
| 2010 | 930 | 5,239 | 930 | 7,099 |
| 2011 | 799 | 5,239 | 799 | 6,837 |
| 2012 | 668 | 5,239 | 668 | 6,575 |
| 2013 | 537 | 5,239 | 537 | 6,313 |
| 2014 | 406 | 5,408 | 406 | 6,220 |
| 2015 | 270 | 5,408 | 270 | 5,948 |
| 2016 | 135 | 5,577 | 135 | 5,847 |
| TOTALS | <u>\$ 7,318</u> | <u>\$ 53,066</u> | <u>\$ 7,318</u> | <u>\$ 67,702</u> |

NOTE E – LONG-TERM DEBT (Continued):

The Bonds originally issued for \$ 136,045 and dated August 1, 1976 mature annually as scheduled above and bears interest at 5% per annum.

| | <u>July 1, 2005</u> | <u>Additions</u> | <u>Subtractions</u> | <u>June 30, 2006</u> |
|---|---------------------|------------------|---------------------|----------------------|
| Business-Type Activities: | | | | |
| This debt represents the Township's share of the bond to form the joint venture in the Village of Newberry Wastewater Treatment Facility. | \$57,967 | \$- | \$,4901 | \$ 53,066 |
| Total Business-Type Activities | <u>57,967</u> | <u>-</u> | <u>4,901</u> | <u>53,066</u> |
| TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT | <u>\$57,967</u> | <u>\$-</u> | <u>\$4,901</u> | <u>\$53,066</u> |

NOTE F – RESERVED AND DESIGNATED NET ASSETS:

The Wastewater Treatment Fund has reserved net assets totaling \$ 7,883 which represents the balance available to pay down debt.

NOTE G – PROPERTY TAXES:

The Township's property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2005 taxable valuation of the Township totaled \$73,793,400, on which ad valorem taxes levied consisted of .9637 mills for the Township's operation purposes. These amounts are recognized in the General Fund financial statements as revenue.

NOTE H – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE I – PENSION TRUST FUND:

The Township has a pension plan for its all full time employees. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 15% of the employee's annual salary to the Plan. The total contribution for the year ended June 30, 2006 was \$ 21,260.

NOTE J – LAWSUIT:

The Township is currently being sued by the Village of Newberry over the interpretation and continued operation of the joint sewer plant. The Circuit Court ruled in the favor of the Township this past winter. However, the Village appealed this decision and the Appeals Court overturned the Circuit Court ruling. The amount of a possible liability is undeterminable at this time.

NOTE K – URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

On July 13, 1985, McMillan Township received an Urban Development Action Grant in the amount of \$1,425,000. Of this amount \$1,395,000 was loaned to Louisiana Pacific Corporation as part of a financing package used to build a fiberboard manufacturing plant. The Corporation repaid this loan in quarterly installments of \$85,320 at 8% for a five year period. The Township retains these funds for future economic development.

The following is a list of notes receivable as of June 30, 2006:

| Year Awarded | Debtor | Balance 3/30/06 (Township Share) | Total Loan Amount (Township Share) | Interest Rate | Term In Years |
|-----------------|--------------------------------------|--|---|------------------|------------------|
| June 1997 | Newberry Wood Enterprises | \$559 | @15,000 | 8% | 10* |
| June 1998 | U.P. Trading Company | 28,800 | 51,800 | 8 | 15* |
| June 1998 | Carla's Cut & Curl | 12,295 | 22,300 | 9.25 | 15* |
| June 1998 | The Pizza Place | 44,876 | 60,000 | 8.15 | 15* |
| June 1998 | S & J Archery | 34,307 | 4,500 | 7.5 | 5 |
| June 1998 | Everson's Furnishings and Upholstery | 12,161 | 22,762 | 7.5 | 10 |
| August 1998 | Dake Great Lakes Truck Service | 37,527 | 54,750 | 8.0 | 15* |
| February 2001 | Northern Casting | 254,160 | 290,250 | 7.5 | 15* |
| April 2001 | Luce County Parks and Rec | 33,539 | 85,000 | 5 | 10 |
| May 2001 | Yoopertinkerville | 23,351 | 32,250 | 8.5 | 15* |
| July 2001 | LJ's Family Restaurant | 8,826 | 14,063 | 8.5 | 7 |
| February 2002 | Plesscher Nursery, Inc. | 47,240 | 50,000 | 7.5 | 5 |
| March 2002 | NorTek, LLC | 67,219 | 73,800 | 7.5 | 20 |
| April 2002 | McMillan Township Fire Trucks | 221,851 | 415,000 | 4.75 | 16 |
| July 2002 | Joel Schultz | 11,785 | 20,000 | 7. | 15* |
| February 2003 | Dake Great Lakes Training Service | 20,678 | 26,400 | 8.0 | 10 |
| July 2003 | Moose on the Luce | 12,103 | 15,000 | 7.5 | 10 |
| September 2003 | Village of Newberry | 30,000 | 30,000 | 5. | 7 |
| October 2003 | Village Inn | 4,170 | 7,500 | 7.5 | 15 |
| January 2005 | Ben Franklin | 27,393 | 30,000 | 7.5 | 15 |
| June 2005 | New Ull and Brenda's Bridal | 39,058 | 48,000 | 8. | 10* |
| December 2005 | Rome's Auto Repair | 29,119 | 30,000 | 7.5 | 20* |
| April 2006 | Mahaffy, Inc. | 65,459 | 68,000 | 7.5 | 15* |
| August 2005 | The Island Grille | 54,925 | 56,250 | 7.5 | 15* |
| March 2006 | Ray & Sally Gibbons | 47,500 | 47,500 | 7.5 | 15* |
| April 2006 | Turcott Loan Guaranty | 8,119 | 8,119 | n/a | n/a |
| | | <u>\$1,177,020</u> | | | ⌘ |

* Three Year Balloon

NOTE L – DEFERRED REVENUE:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been made.

The UDAG Fund has reported \$1,177,020 which represents the UDAG loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future Township UDAG development.

NOTE M – FUND EQUITY DEFICIT BALANCES:

At June 30, 2006 the Wastewater Treatment Operating Fund had an unrestricted fund equity deficit of \$88,600.

In accordance with Public Act 275 of 1980, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Township of McMillan, Michigan has not filed such a plan.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

Township of McMillan, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2006

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-------------------|----------------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 304,600 | \$ 304,600 | \$ 306,519 | \$ 1,919 |
| State sources | 84,000 | 84,000 | 93,050 | 9,050 |
| Charges for services | 14,300 | 14,300 | 11,286 | (3,014) |
| Interest | 20,000 | 20,000 | 27,951 | 7,951 |
| Other revenues | 1,000 | 1,000 | 2,062 | 1,062 |
| TOTAL REVENUES | 423,900 | 423,900 | 440,868 | 16,968 |
| EXPENDITURES: | | | | |
| Legislative | 101,450 | 48,650 | 45,361 | 3,289 |
| Elections | 6,250 | 6,250 | 1,201 | 5,049 |
| General services and administration | 386,825 | 386,825 | 321,246 | 65,579 |
| Public safety | 64,500 | 64,500 | 52,607 | 11,893 |
| Public works | 45,000 | 45,000 | 16,737 | 28,263 |
| Other | 100,000 | 89,700 | - | 89,700 |
| TOTAL EXPENDITURES | 704,025 | 640,925 | 437,152 | 203,773 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (280,125) | (217,025) | 3,716 | 220,741 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| CHANGE IN FUND BALANCE | (280,125) | (217,025) | 3,716 | 220,741 |
| Fund balance, beginning of year | 550,973 | 550,973 | 550,973 | - |
| FUND BALANCE, END OF YEAR | \$ 270,848 | \$ 333,948 | \$ 554,689 | \$ 220,741 |

Township of McMillan, Michigan

UDAG

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2006

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-------------------|----------------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Interest | \$ - | \$ 100,000 | \$ 97,706 | \$ (2,294) |
| Other revenues | 106,000 | 80,000 | 80,829 | 829 |
| TOTAL REVENUES | 106,000 | 180,000 | 178,535 | (1,465) |
| EXPENDITURES: | | | | |
| Community and economic development | 106,000 | 205,000 | 203,093 | 1,907 |
| TOTAL EXPENDITURES | 106,000 | 205,000 | 203,093 | 1,907 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (25,000) | (24,558) | 442 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| CHANGE IN FUND BALANCE | - | (25,000) | (24,558) | 442 |
| Fund balance, beginning of year, | 512,382 | 512,382 | 512,382 | - |
| FUND BALANCE, END OF YEAR | \$ 512,382 | \$ 487,382 | \$ 487,824 | \$ 442 |

Other Supplemental Information

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|----------------------------|-----------------|-------------------------|---|
| REVENUES: | | | |
| Taxes: | | | |
| Current levy | \$ 76,800 | \$ 73,027 | \$ (3,773) |
| Commercial forest reserve | 4,300 | 4,213 | (87) |
| Swamp tax | 192,500 | 192,516 | 16 |
| Tax collection fees | 31,000 | 36,763 | 5,763 |
| Total Taxes | <u>304,600</u> | <u>306,519</u> | <u>1,919</u> |
| State Sources: | | | |
| State revenue sharing | 84,000 | 86,777 | 2,777 |
| Annual maintenance fee | - | 6,273 | 6,273 |
| Total State Sources | <u>84,000</u> | <u>93,050</u> | <u>9,050</u> |
| Charges for Services: | | | |
| Cemetery services | 13,000 | 10,025 | (2,975) |
| Miscellaneous services | 1,300 | 1,261 | (39) |
| Total Charges for Services | <u>14,300</u> | <u>11,286</u> | <u>(3,014)</u> |
| Interest and Rents | | | |
| Interest | 7,000 | 15,821 | 8,821 |
| Rents | 13,000 | 12,130 | (870) |
| Total Interest and Rents | <u>20,000</u> | <u>27,951</u> | <u>7,951</u> |
| Other Revenues: | | | |
| Miscellaneous other | 1,000 | 2,062 | 1,062 |
| Sale of property | - | - | - |
| Total Other Revenues | <u>1,000</u> | <u>2,062</u> | <u>1,062</u> |
| TOTAL REVENUES | <u>423,900</u> | <u>440,868</u> | <u>16,968</u> |
| EXPENDITURES: | | | |
| LEGISLATIVE: | | | |
| Township Board: | | | |
| Personnel services | 46,350 | 43,607 | 2,743 |
| Other services and charges | 2,300 | 1,754 | 546 |
| TOTAL LEGISLATIVE | <u>48,650</u> | <u>45,361</u> | <u>3,289</u> |

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-----------------|-------------------------|---|
| ELECTIONS: | | | |
| Personnel services | \$ 4,000 | \$ 1,044 | \$ 2,956 |
| Supplies | 2,000 | 139 | 1,861 |
| Other services and charges | 250 | 18 | 232 |
| TOTAL ELECTIONS | <u>6,250</u> | <u>1,201</u> | <u>5,049</u> |
| GENERAL SERVICES AND ADMINISTRATION: | | | |
| Supervisor: | | | |
| Personnel services | 15,175 | 14,723 | 452 |
| Supplies | - | - | - |
| Other services and charges | 2,000 | 1,098 | 902 |
| Total Supervisor | <u>17,175</u> | <u>15,821</u> | <u>1,354</u> |
| Manager: | | | |
| Personnel services | 21,850 | 21,287 | 563 |
| Supplies | - | - | - |
| Other services and charges | 1,100 | - | 1,100 |
| Total Manager | <u>22,950</u> | <u>21,287</u> | <u>1,663</u> |
| Professional Services | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 39,500 | 28,339 | 11,161 |
| Total Manager | <u>39,500</u> | <u>28,339</u> | <u>11,161</u> |
| Assessor: | | | |
| Personnel services | 45,175 | 42,995 | 2,180 |
| Supplies | 1,500 | 1,103 | 397 |
| Other services and charges | 5,300 | 1,115 | 4,185 |
| Total Assessor | <u>51,975</u> | <u>45,213</u> | <u>6,762</u> |
| Clerk: | | | |
| Personnel services | 27,650 | 27,662 | (12) |
| Supplies | 1,500 | 1,467 | 33 |
| Other services and charges | 44,250 | 28,193 | 16,057 |
| Total Clerk | <u>73,400</u> | <u>57,322</u> | <u>16,078</u> |

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|-----------------|-------------------------|---|
| Board of Review: | | | |
| Personnel services | \$ 750 | \$ 660 | \$ 90 |
| Supplies | - | - | - |
| Other services and charges | 100 | 100 | - |
| Total Board of Review | <u>850</u> | <u>760</u> | <u>90</u> |
| Treasurer: | | | |
| Personnel services | 22,050 | 22,125 | (75) |
| Supplies | 3,000 | 2,308 | 692 |
| Other services and charges | 1,300 | 893 | 407 |
| Total Treasurer | <u>26,350</u> | <u>25,326</u> | <u>1,024</u> |
| Township Hall and Grounds: | | | |
| Personnel services | 20,475 | 19,948 | 527 |
| Supplies | 1,000 | 540 | 460 |
| Other services and charges | 37,000 | 29,273 | 7,727 |
| Total Township Hall and Grounds | <u>58,475</u> | <u>49,761</u> | <u>8,714</u> |
| Cemetery: | | | |
| Personnel services | 78,500 | 70,104 | 8,396 |
| Supplies | 500 | 419 | 81 |
| Other services and charges | 17,150 | 6,894 | 10,256 |
| Total Cemetery | <u>96,150</u> | <u>77,417</u> | <u>18,733</u> |
| TOTAL GENERAL SERVICES AND ADMINISTRATION | <u>386,825</u> | <u>321,246</u> | <u>65,579</u> |
| PUBLIC SAFETY: | | | |
| Police Department: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 2,000 | 2,000 | - |
| Total Police Department | <u>2,000</u> | <u>2,000</u> | <u>-</u> |

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------------------|---|
| Fire Department: | | | |
| Personnel services | \$ - | \$ - | \$ - |
| Supplies | - | - | - |
| Other services and charges | 62,500 | 50,607 | 11,893 |
| Total Fire Department | <u>62,500</u> | <u>50,607</u> | <u>11,893</u> |
| TOTAL PUBLIC SAFETY | <u>64,500</u> | <u>52,607</u> | <u>11,893</u> |
| PUBLIC WORKS: | | | |
| Streets: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 40,000 | 12,961 | 27,039 |
| Total Streets | <u>40,000</u> | <u>12,961</u> | <u>27,039</u> |
| Refuse Collection: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 5,000 | 3,776 | 1,224 |
| Total Refuse Collection | <u>5,000</u> | <u>3,776</u> | <u>1,224</u> |
| TOTAL PUBLIC WORKS | <u>45,000</u> | <u>16,737</u> | <u>28,263</u> |
| OTHER FUNCTIONS: | | | |
| Miscellaneous | 89,700 | - | 89,700 |
| Total Other Functions | <u>89,700</u> | <u>-</u> | <u>89,700</u> |
| TOTAL OTHER FUNCTIONS | <u>89,700</u> | <u>-</u> | <u>89,700</u> |
| TOTAL EXPENDITURES | <u>640,925</u> | <u>437,152</u> | <u>203,773</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(217,025)</u> | <u>3,716</u> | <u>(186,805)</u> |

Township of McMillan, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | <u>Final Budget</u> | <u>Actual GAAP Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|----------------------------------|---|
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers In: | \$ - | \$ - | \$ - |
| Transfers (Out): | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | (217,025) | 3,716 | (186,805) |
| Fund balance, beginning of year | <u>550,973</u> | <u>550,973</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 333,948</u> | <u>\$ 554,689</u> | <u>\$ (186,805)</u> |

Township of McMillan, Michigan

**MAJOR GOVERNMENTAL FUNDS
UDAG**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | <u>Final Budget</u> | <u>Actual GAAP Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--------------------------|----------------------------------|---|
| REVENUES: | | | |
| Interest: | | | |
| Interest income - investments | \$ 10,000 | \$ 9,715 | \$ (285) |
| Interest income - loans | <u>90,000</u> | <u>87,991</u> | <u>(2,009)</u> |
| Total Interest | <u>100,000</u> | <u>97,706</u> | <u>(2,294)</u> |
| Other Revenue: | | | |
| Principal payments | <u>80,000</u> | <u>80,829</u> | <u>829</u> |
| Total Other Revenues | <u>80,000</u> | <u>80,829</u> | <u>829</u> |
| TOTAL REVENUES | <u>180,000</u> | <u>178,535</u> | <u>(1,465)</u> |
| EXPENDITURES: | | | |
| COMMUNITY AND ECONOMIC DEVELOPMENT: | | | |
| Economic Development | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | <u>205,000</u> | <u>203,093</u> | <u>1,907</u> |
| Total Economic Development | <u>205,000</u> | <u>203,093</u> | <u>1,907</u> |
| TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT | <u>205,000</u> | <u>203,093</u> | <u>1,907</u> |
| TOTAL EXPENDITURES | <u>205,000</u> | <u>203,093</u> | <u>1,907</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(25,000)</u> | <u>(24,558)</u> | <u>442</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers In | - | - | - |
| Transfers (Out) | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | <u>(25,000)</u> | <u>(24,558)</u> | <u>442</u> |
| Fund balance, beginning of year | <u>512,382</u> | <u>512,382</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 487,382</u></u> | <u><u>\$ 487,824</u></u> | <u><u>\$ 442</u></u> |

Township of McMillan, Michigan

NON-MAJOR
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2006

| | Special Revenue Fund Liquor Law Fund | Permanent Fund Cemetery Trust Fund | Total Governmental Funds |
|---|---|--|--------------------------------|
| ASSETS | | | |
| Cash and equivalents | \$ - | \$ 5,446 | \$ 5,446 |
| Due from other funds | - | - | - |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 5,446</u> | <u>\$ 5,446</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES: | | | |
| Other liabilities | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE: | | | |
| Unreserved | - | 5,446 | 5,446 |
| TOTAL FUND BALANCE | <u>-</u> | <u>5,446</u> | <u>5,446</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ -</u> | <u>\$ 5,446</u> | <u>\$ 5,446</u> |

Township of McMillan, Michigan

NON-MAJOR
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2006

| | Special Revenue Fund Liquor Law Fund | Permanent Fund Cemetery Trust Fund | Total Governmental Funds |
|---|---|---|---|
| REVENUES: | | | |
| State sources | \$ 3,555 | \$ - | \$ 3,555 |
| Interest | 86 | 154 | 240 |
| Other | - | - | - |
| TOTAL REVENUES | 3,641 | 154 | 3,795 |
| EXPENDITURES: | | | |
| General government | - | - | - |
| Public safety | 3,647 | - | 3,647 |
| TOTAL EXPENDITURES | 3,647 | - | 3,647 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (6) | 154 | 148 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| CHANGE IN FUND BALANCE | (6) | 154 | 148 |
| Fund balance, beginning of year | 6 | 5,292 | 5,298 |
| FUND BALANCE, END OF YEAR | \$ - | \$ 5,446 | \$ 5,446 |

Township of McMillan, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE**

LIQUOR LAW FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2006

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-----------------|-------------------------|---|
| REVENUES: | | | |
| State shared revenues | \$ 3,650 | \$ 3,555 | \$ (95) |
| Interest | 100 | 86 | (14) |
| TOTAL REVENUES | <u>3,750</u> | <u>3,641</u> | <u>(109)</u> |
| EXPENDITURES: | | | |
| Public Safety: | | | |
| Liquor Law Enforcement | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 3,750 | 3,647 | 103 |
| Capital outlay | - | - | - |
| Total Cemetery | <u>3,750</u> | <u>3,647</u> | <u>103</u> |
| TOTAL EXPENDITURES | <u>3,750</u> | <u>3,647</u> | <u>103</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(6)</u> | <u>(6)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGES IN FUND BALANCE | <u>-</u> | <u>(6)</u> | <u>(6)</u> |
| Fund balance, beginning of year | <u>-</u> | <u>6</u> | <u>6</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Township of McMillan, Michigan

**NON-MAJOR GOVERNMENTAL FUNDS
PERMANENT FUND**

CEMETERY TRUST FUND

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2006

| | Cemetery Trust Fund |
|---|---------------------------|
| REVENUES: | |
| Interest | \$ 154 |
| Other | - |
| TOTAL REVENUES | 154 |
| EXPENDITURES: | |
| General Government: | |
| Cemetery | |
| Personnel services | - |
| Supplies | - |
| Other services and charges | - |
| Capital outlay | - |
| Total Cemetery | - |
| TOTAL EXPENDITURES | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 154 |
| OTHER FINANCING SOURCES (USES): | |
| Transfers in | - |
| Transfers (out) | - |
| TOTAL OTHER FINANCING SOURCES | - |
| CHANGES IN FUND BALANCE | 154 |
| Fund balance, beginning of year | 5,292 |
| FUND BALANCE, END OF YEAR | \$ 5,446 |

Township of McMillan, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2006

| | Trust & Agency Fund | Tax Collection Fund | Total |
|--------------------------|---------------------------|---------------------------|-------------|
| ASSETS | | | |
| Cash and equivalents | \$ - | \$ 7 | \$ 7 |
| Due from other funds | - | - | - |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 7</u> | <u>\$ 7</u> |
| LIABILITIES | | | |
| Due to other funds | \$ - | \$ - | \$ - |
| Due to others | - | 7 | 7 |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 7</u> | <u>\$ 7</u> |

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the Township of McMillan, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township of McMillan, Michigan's basic financial statements and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of McMillan, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of McMillan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*. These instances are described in a separate letter to management dated August 11, 2006.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 11, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

Township of McMillan, Michigan

Report to Management Letter

For the Year Ended June 30, 2006

To the Honorable Supervisor and Members of
The Township Board
Township of McMillan, Michigan
405 Newberry Ave.
Newberry, MI 49868

In planning and performing our audit of the financial statements of the Township of McMillan, Michigan for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could affect the Township of McMillan, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

INSTANCES OF NON-COMPLIANCE

At June 30, 2006 the Wastewater Treatment Operating Fund had a unrestricted equity deficit of \$88,600. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Township of McMillan, Michigan has not filed such a plan. We recommend that the Township of McMillan, Michigan monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

* * * * *

This report is intended solely for the information and use of the Township of McMillan, Michigan's board, management, and other legislative or regulatory body and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of McMillan, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 11, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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GREEN BAY
MILWAUKEE

August 11, 2006

To the Honorable Supervisor and Township Board
Of McMillan Township, Michigan
405 Newberry Ave.
Newberry, MI 49868

We have audited the financial statements of the Township of McMillan; Michigan for the year ended June 30, 2006, and has issued our report thereon dated August 11, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of McMillan, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Township of McMillan, Michigan's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of McMillan, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township of McMillan, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
Of McMillan Township, Michigan

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of McMillan; Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of McMillan, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of McMillan, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of McMillan, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of McMillan, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants